

Message Text

SECRET

PAGE 01 JIDDA 04455 151301Z
ACTION NEA-11

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 EUR-12 /139 W
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R 151131Z JUN 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 2378
INFO AMEMBASSY ABU DHABI
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN
USLO RIYADH

S E C R E T JIDDA 4455

E.O. 11652: GDS
TAGS: ENRG, SA, OPEC
SUBJECT: SAG AND YAMANI ON OIL ISSUES

REF: (A) STATE 142062 (B) JIDDA 3054 (C) JIDDA 3800
(D) DHAHRAN 751

1. WHILE WE DO NOT RULE OUT THE POSSIBILITY THAT YAMANI
MAY HAVE BEEN OVERSTATING HIS CASE SOMEWAHT TO FRG MINISTER
HOUFF (REFTEL A), WE BELIEVE HE IS PORTRAYING CONSISTENT
SAG LINE. THIS IS THAT OIL IMPORTING COUNTRIES MUST SHARE
THE RESPONSIBILITY WITH OIL PRODUCING COUNTRIES FOR EASING
THE TRANSITION TO AN OIL REGIME OF RELATIVE SCARCITY, AND
SUBSEQUENTLY A NEW ENERGY REGIME ENTIRELY. THE MORE
ACTIVELY THE MAJOR IMPORTERS PURSUE CONSERVATION AND
ALTERNATIVE ENERGY SEARCH, THE SAUDIS BELIEVE, THE
LESS LIKELY IT WILL BE THAT THE SAG BE CAUGHT IN THE
DILEMMA OF BEING THE SUPPLIER OF CRUCIAL INCREMENTAL

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OIL QUANTITIES IN TIME OF SHORTAGE. THOUGH THAT
POSITION MIGHT SEEM ENVIABLE TO SOME, THE SAUDIS
WOULD PROBABLY RATHER NOT BE IN THE KITHCEN TO STAND
THE HEAT; THEY FEEL THEMSELVES TOO VULNERABLE
POLITICALLY AND MILITARILY. THEIR POLICY IS AIMED
AT REDUCING THE HEAT IN THE KITCHEN.

2. PREVIOUS STATEMENTS BY CP FAHD (REF B) AND YAMANI (REF C) HAVE BLOCKED OUT THE MAJOR ELEMENTS OF THIS EVOLVING SAUDI POLICY: GREATER CONSERVATIONISM AT HOME, AN INCREASED INSISTENCE THAT THE IMPORTERS PLAY THEIR PART AND A READINESS TO SHAPE THE MARKETPLACE SO AS TO KEEP OIL PRICES FIRM AND ASCENDING ONCE ECONOMIC CONDITIONS PERMIT. WHILE THE SAUDIS WILL UNDOUBTEDLY HOLD THE LINE AT THE UPCOMING OPEC CONFERENCE, WE CANNOT EXPECT THEM TO DO SO (OR TO WANT TO DO SO) ONCE ECONOMIC CONDITIONS AND THE DEMAND FOR OIL BEGIN TO IMPROVE. A GRADUAL MOVE IN THE DIRECTION OF ENUMERATING OIL PRICES IN ALTERNATIVE UNITS, AS SUGGESTED BY HERZALLAH (REF D) IS CONSISTENT WITH THIS POLICY, EVEN THOUGH SAG PREFERS TO STAY IN DOLLARS AND MIGHT NOT IN THE END APPROVE A CHANGE OVER.
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